

The US, UK and EU continue their unprecedented pace of economic and trade sanctions targeting Russia following our February [alert](#). Compliance with these sanctions generally continues to require screening and due diligence reviews of counterparties, service providers and vendors. We highlight below the developments and new prohibitions on imports and exports, investments, provision of US dollar and euro-denominated banknotes, and sovereign transactions that significantly complicate the US Russia-related sanctions program, as well as the UK and EU regimes.

## US Sanctions

### Executive Order 14068 – Prohibitions on Certain Imports, Exports, New Investment and Supply of US Dollar Banknotes

On March 11, President Biden issued Executive Order (EO) 14068, which prohibits certain trade and investment involving Russia, and prohibits the provision of US dollar denominated banknotes to the Russian government or any person located in Russia.

#### Prohibited Importation of Certain Russian Origin Products

The EO prohibits the importation into the US of the following Russian origin products:

- Fish, seafood and preparations thereof
- Alcoholic beverages
- Non-industrial diamonds
- Any other Russian origin products as determined by the Secretary of the Treasury

#### Prohibited Exports of Luxury Goods to Russia

The EO prohibits the exportation, sale or supply of “luxury goods” directly or indirectly from the US or US persons, wherever located, to Russia. US Commerce Department Regulations set forth the prohibited “luxury goods” in Supplement No. 5 to Part 746. The 20-page list of items includes a wide variety of products, including:

- Alcoholic beverages
- Tobacco
- Perfume and Cosmetics
- Leather bags
- Animal and artificial fur
- Silk
- Carpets and textile floor coverings
- Various articles of clothing and shoes valued at US\$1,000 per unit wholesale in the US

- Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof
- Gold coins
- Grand pianos
- Antiques

The supplement also includes many items not generally understood as “luxury goods,” including:

- Various vehicles, parts and accessories
- Lifejackets and lifebelts
- Blankets and traveling rugs
- Tents

#### Prohibited Investment in Russian Economic Sectors

EO 14068 authorizes the Secretary of the Treasury to make determinations as to which sectors of the Russian economy the prohibition on new investment may apply. In the near term, the direct prohibition on certain new investment, such as prohibition on the energy sector, is not likely to have much effect. However, US individuals and entities are also prohibited from facilitating any prohibited investment. This means that any prohibited investment in Russia cannot involve the US financial system, irrespective of whether the prohibition is directly applicable to the investors.

#### Prohibition on Supply of US Dollar Banknotes

Lastly, EO 14068 prohibits US persons from exporting, reexporting, selling or otherwise supplying US dollar-denominated banknotes to the Russian government or any person located in Russia.

#### Executive Order 14068 General Licenses

The Office of Foreign Assets Control (OFAC) issued three general licenses concurrently with the import, export and US dollar banknote prohibitions, authorizing the following:

- Transactions related to imports into the US pursuant to pre-existing contracts (General License (GL) 17; expires March 25)
- Noncommercial, personal remittances of US dollar-denominated banknotes (GL 18; no expiration date)
- Transfers by US persons located in Russia of US dollar-denominated banknotes to the government of Russia or persons in Russia related to their personal maintenance in Russia (GL 19; no expiration date)

## OFAC Guidance on Prohibitions and Authorizations

OFAC issued several frequently asked questions (FAQs) clarifying certain aspects of the prohibitions and authorizations:

- “Russian Federation origin” means goods produced, manufactured, extracted or processed in the Russian Federation, excluding goods that have been incorporated or substantially transformed into a foreign-made product.
- GL 6 of EO 14024, which authorizes transactions and dealings involving agricultural commodities, does not authorize the importation of fish, seafood and preparations thereof prohibited by EO 14068.
- GL 18 authorizes US persons to make withdrawals of US dollars at ATMs and hand carry those bills to effect noncommercial, personal remittances. That general license does not authorize US banks to process transactions for the provision of US dollar banknotes to non-US banks for further distribution to the Russian government or persons in Russia.

## Executive Order 14066 – Prohibitions on Certain Imports and New Investment in the Energy Sector

On March 8, President Biden issued EO 14066, which prohibits the importation into the US of certain Russian origin products and new investment in the Russian energy sector.

### Prohibited Russian Origin Products

The EO prohibits the importation into the US of the following Russian Federation origin products:

- Crude oil
- Petroleum
- Petroleum fuels, oils, and products of their distillation
- Liquefied natural gas
- Coal
- Coal products

### Prohibited New Investment in the Russian Energy Sector

The EO also prohibits new investment in the Russian energy sector. OFAC broadly interprets this sector to include a wide variety of activities, including the procurement, production, refinement and transport of not only petroleum and natural gas, but also other products capable of producing energy (coal, wood, products used to manufacture biofuels), and the production, generation and transmission or exchange of power.

### Executive Order 14066 General License

GL 16 authorizes the importation into the US of Russian origin products prohibited by EO 14066 pursuant to written contracts entered prior to March 8, until April 22, 2022.

## OFAC Guidance on Prohibitions and Authorizations

OFAC issued several FAQs clarifying certain aspects of the prohibitions and authorizations:

- GL 8A, which authorizes payments related to transportation and purchase of Russian energy, does not authorize (1) new investment in the Russian energy sector or (2) the importation of Russian energy products prohibited by EO 14066.

- “Russian Federation origin” means goods produced, manufactured, extracted or processed in the Russian Federation, excluding goods that have been incorporated or substantially transformed in a foreign-made product. In contrast with other sanctions programs, transition through or departure from Russia does not make the products of Russian origin, if the products were not produced, manufactured, extracted or processed in Russia.

## Russia-related Sovereign Transactions Directive

On February 28, OFAC issued Directive 4 of EO 14024, which prohibits any transaction involving (1) the Central bank of the Russian Federation, (2) the National Wealth Fund of the Russian Federation, or (3) the Ministry of Finance of the Russian Federation.

Notably, this Directive does not block the listed entities. US persons must reject transactions directly or indirectly involving these entities, absent authorization from OFAC.

### Directive Four General Licenses

OFAC issued four GLs authorizing the following transactions involving the Directive 4 listed entities:

- Receipt of interest, dividend or maturity payments in connection with debt or equity of the entities issued before March 1, 2022 (GL 9A; expires May 25, 2022)
- Wind-down of derivative contracts, repurchase agreements or reverse repurchase agreements entered prior to March 1, 2022 that include the entities as a counterparty (GL 10A; expires May 25, 2022)
- Payment of taxes, fees or import duties, and purchase or receipt of permits, licenses, registrations or certifications (GL 13; expires June 24, 2022)
- Transactions involving the entities, where their sole function is to act as an operator of a clearing and settlement system, without any role as a counterparty or beneficiary. (GL 14; no expiration date)

## UK Sanctions

### Economic Crime (Transparency and Enforcement) Act 2022

The UK had been perceived to be slower than the EU and US to sanction individuals in particular. Part of the reason for this was that the UK post-Brexit sanctions legislation contained safeguards that gave openings for potentially targeted individuals to challenge their designation.

The Economic Crime (Transparency and Enforcement) Act 2022 (the Act), which went through all stages of primary legislation in a matter of days, is intended to address this, and to bring more transparency to property holdings in the UK. The main effects of the Act are:

- Much greater transparency about the ultimate beneficial ownership of property in the UK
- Stronger Unexplained Wealth Order processes
- Provision for urgent designation of sanctioned individuals and entities, including the power to include anyone sanctioned by US, EU, Canada, Australia or any other country as notified by the government

As soon as the legislation was enacted, on March 15, the government announced the designation of a further 370 individuals and entities.

### **Sanctions on Members of the Russian Duma**

On March 11, Foreign Secretary Liz Truss announced sanctions against 386 members of the Russian Duma for their support for the breakaway Ukrainian regions of Luhansk and Donetsk. The individuals listed are banned from travelling to the UK, as well as banned from accessing assets in the UK and doing business in the UK.

### **Phasing Out of Russian Oil Imports**

On March 8, the UK government announced the phasing out of Russian oil imports by the end of 2022. Business Secretary Kwasi Kwarteng confirmed the phasing out of such imports would not be immediate but rather would take place over this year, allowing time to adjust supply chains and any required industry or consumer support.

### **Sanctions on Prominent Russian Oligarchs**

The UK government sanctioned seven additional Russian oligarchs. Foreign Secretary Liz Truss announced on March 10 a full asset freeze and travel ban on the following individuals:

- Roman Abramovich
- Oleg Deripaska
- Igor Sechin
- Andrey Kostin
- Alexei Miller
- Nikolai Tokarev
- Dmitri Lebedev

### **Sanctions on the Russian Ministry of Finance and Its CEO**

On March 1, the UK government announced additional economic measures, including the prohibition of UK individuals and entities from providing financial services to the Russian Central Bank, as well as the Russian Ministry of Finance and the sovereign wealth fund Russian Direct Investment Fund (RDIF). The UK government's sanctions on RDIF and its chief executive, Kirill Dmitriev, means their assets are now frozen and a travel ban is in place for Dmitriev.

### **Ban on Russian Ships**

On the same day, the UK government announced it would ban Russian ships from UK ports. The ban includes "any vessels owned or operated by anyone connected to Russia." Under the measure, UK authorities also gain new powers to detain Russian vessels.

### **Sanctions on Putin and Lavrov**

On February 25, the UK government froze the assets of both Putin and Lavrov. Both officials are blocked from "any future business" in the UK. The sanctions require any UK-based assets be frozen immediately. Additionally, UK companies will be barred from providing goods, services or assets to either individual in the future.

## **EU Targeted Restrictive Measures, Restrictions on Economic Relations and Financial Restrictions**

### **Fourth EU Package of Sectoral and Individual Measures**

On March 15, the European Council (the Council) imposed a fourth package of sanctions against Russia. Sanctions included prohibition on transactions with certain state-owned enterprises and expands the list of persons connected to Russia's defense and industrial base, on whom tighter export restrictions are imposed regarding dual-use goods and goods and technology that might contribute to Russia's technological enhancement of its defense and security sector.

Furthermore, restrictions were imposed on new investment across the Russian energy sector, as well as a comprehensive export restriction on equipment, technology and services for the energy industry in Russia, with the exception of the nuclear industry and the downstream sector of energy transport.

Sanctions were also imposed (applicable as of April 15, 2022) on the rating of Russia and Russian companies by EU credit rating agencies and the provision of rating services to Russian clients, resulting in a further loss of access to the EU's financial markets. The Council also introduced further trade restrictions concerning iron and steel, as well as luxury goods, introducing the prohibition to sell, supply, transfer or export directly or indirectly, these goods.

### **Removal of Certain Belarusian Banks From SWIFT**

On March 9, the Council endorsed the decision to remove from the SWIFT system the following three banks, as well as any Belarusian-based entity whose proprietary rights are directly or indirectly more than 50% owned by the listed banks, effective as of March 12, 2022:

- Belagroprombank
- Dabrabyt Development
- Bank of the Republic of Belarus

Additional Belarus-related measures include the following prohibitions and financial limitation:

- Prohibition on transactions with the Central Bank of Belarus related to the management of reserves or assets, and the provision of public financing for trade with and investment in Belarus
- Prohibition of the listing and provision of services in relation to shares of Belarus state-owned entities on EU trading venues as of April 12, 2022
- Significant limitation on the financial inflows from Belarus to the EU, by prohibiting the acceptance of deposits exceeding €100,000 from Belarusian nationals or residents, the holding of accounts of Belarusian clients by the EU central securities depositories, as well as the selling of euro-denominated securities to Belarusian clients
- Prohibition on the provision of euro-denominated banknotes to Belarus

## **Restrictive Measures on Maritime Goods and Technology**

On March 9, the Council introduced additional restrictive measures with regard to the export of maritime navigation goods and radio communication technology to Russia. By virtue of this decision, it will be prohibited to sell, supply, transfer or export, directly or indirectly, maritime navigation goods and technology to any natural or legal person, entity or body in Russia, for use in Russia, or for the placing on board of a Russian-flagged vessel.

## **Investment Services, Transferable Securities, Money Market Instruments and Loans Sanctions**

The Council also expanded the list of legal persons, entities and bodies subject to the prohibitions related to investment services, transferable securities, money market instruments and loans. Finally, the Council clarified the term “transferable securities” so as to clearly include crypto-assets, and, thus, ensure the proper implementation of the sectoral restrictions in place.

## **Additional Sanctions on Russian Individuals**

On March 9, the Council also endorsed a decision to add 14 oligarchs and business people, as well as 146 members of the Russian Federation Council in the EU sanctions list.

## **Removal of Certain Russian Banks From SWIFT**

On March 2, the Council endorsed the decision to remove from the SWIFT system the following seven Russian banks, as well as any Russia-based entity whose proprietary rights are directly or indirectly more than 50% owned by the listed banks, effective as of March 12, 2022:

- Bank Otkritie
- Novikombank
- Promsvyazbank
- Rossiya
- Sovcombank
- VNESHECONOMBANK (VEB)
- VTB BANK

## **Prohibitions on the Russian Direct Investment Fund and Provision of Euro Banknotes**

On March 2, the Council prohibited the investment, participation in, or otherwise contribution to future projects co-financed by the Russian Direct Investment Fund. The Council also prohibited the sale, supply, transfer or export of euro-denominated banknotes to Russia or to any natural or legal person, entity or body in Russia, including the government and the Central Bank of the Russian Federation, or for use in Russia.

## **Sanctions on Certain Belarusian Military Members**

That same day, the Council announced additional sanctions targeting Belarus. The Council imposed sanctions targeting 22 high-ranking members of the Belarusian military. The action includes the freezing of assets, as well as a prohibition on making funds available to the listed parties. Additionally, the Council issued a travel ban applicable to the listed parties, which prevents them from entering or transiting through EU territory.

## **Expanded Belarusian Trade Restrictions**

Additionally, on March 2, the Council introduced expanded restrictions on the trade of goods “used for the production or manufacturing of tobacco products, mineral fuels, bituminous substances and gaseous hydrocarbon products, potassium chloride (potash) products, wood products, cement products, iron and steel products and rubber products.” It also announced restrictions on exports of dual-use goods and technology, and certain advanced goods and technology, along with restrictions on the provision of related services that have the potential to contribute to Belarusian military, technology or defense.

## **Suspension of Russia State-owned Media**

Also on March 2, the Council suspended the broadcasting activities of Russia state-owned media outlets in the EU or directed at the EU. The outlets impacted by the sanctions are Sputnik and RT/Russia Today, including RT English, RT UK, RT Germany, RT France and RT Spanish.

## **Prohibition on Transactions With the Russian Central Bank and Additional Sanctions**

The Council announced on February 28 the prohibition on transactions with the Russian Central Bank or any legal person, entity or body acting on behalf or at the direction of the Russian Central Bank. On the same day, the Council announced the addition of 26 persons and one entity to the list of persons, entities and bodies subject to restrictive measures under the Russia sanctions regime.

## **February 25 Amendments to Regulation 833/2014**

On February 25, Regulation 2022/328 amended Regulation 833/2014 concerning restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine. Restrictions and prohibitions are applicable to the export of goods and related services to or for use in Russia, including the sale, supply, transfer or export of and the provision of technical assistance, brokering services, other services, financing or financial assistance related to:

- Dual-use items
- Goods and technology other than dual-use items and technology listed in Annex VII to Regulation 833/2014 and which might contribute to Russia’s military and technological enhancement or the development of the defense and security sector
- Goods and technology suited for use in oil refining
- Goods and technology suited for use in aviation or the space industry

Additionally, Article 2b of Regulation 833/2014 introduces specific authorization requirements for the export of and the provision of services related to dual-use items and goods and technology listed in Annex VII to Regulation 833/2014 to Russian state-owned entities in the military and defense sectors.

Article 3c of Regulation 833/2014 imposes restrictions on specific services related to goods and technology suited for use in aviation or the space industry.

Lastly, Article 5 of Regulation 833/2014 introduces restrictions on access to capital to four Russian state-owned and private banks and eight Russian state-owned companies active in strategic industries. Further financial restrictions include the prohibition on deposits by Russian nationals, residents and entities exceeding €100,000 per credit institution and the prohibition for EU central securities depositories from providing certain services for transferable securities issued after April 12, 2022, to any Russian national, resident or entity.

### **Sanctions on Putin, Lavrov, Members of the Russian National Security Council and Duma, and Capital Markets and EU Trading Platforms Restrictions**

On February 25, the Council announced sanctions on President Vladimir Putin and Minister of Foreign Affairs Sergey Lavrov. The measures freeze all EU-based assets of the two Russian leaders.

Additionally, the Council confirmed restrictive measures on members of the Russian National Security Council who supported the country's recognition of the Donetsk and Luhansk regions of Ukraine as independent. Similarly, the Council extended sanctions to the remaining members of the Russian State Duma who ratified the treaty between Russia and the two regions. The Council also announced a package of individual and economic measures targeting Belarus.

Also on February 25, the EU expanded economic sanctions targeting Russia but cutting access to capital markets, as well as prohibiting the listing and provision of services related to shares of Russian state-owned entities on EU trading platforms. Additionally, the Council introduced measures that prohibit the acceptance of deposits above certain values from Russian nationals or residents, the holding of accounts of Russian clients by the EU Central Securities Depositories, as well as the selling of euro-denominated securities to Russian clients.

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Our export controls and sanctions lawyers have the ability to provide advice on the shifting regulatory framework on both sides of the Atlantic. We have extensive experience in advising and representing a wide range of companies and financial institutions in Europe, the US and other jurisdictions on export control and sanctions from a multijurisdictional perspective. Our team is part of our overall International Trade Practice, providing a "one-stop shop" solution to global trade compliance through rapid, professional and tailored advice and compliance tools to fit your business needs and processes.

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